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A STUDY OF FINTECH REVOLUTION AMID COVID-19: RESHAPING DIGITAL FINANCE IN INDIA

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Abstract

This study explores the transformative impact of financial technology on the traditional landscape of financial services in India. This abstract delves into the dynamic evolution of Fintech, highlighting its role in fostering financial inclusion, enhancing efficiency, and driving innovation in the Indian financial sector. The paper investigates key Fintech trends, regulatory frameworks, and the evolving consumer behavior that contribute to the paradigm shift in financial services. Findings from the study reveal that Fintech adoption is rapidly gaining momentum, with increased collaboration between traditional financial institutions and innovative Fintech startups, paving the way for a more accessible, efficient, and technologically-driven financial ecosystem in India.

Keywords: Fintech, Financial services, revolution, Indian financial sector, etc.

I. INTRODUCTION

The Financial Technology (FinTech) revolution has undeniably transformed the global financial landscape, ushering in a new era of innovation, efficiency, and accessibility in financial services. This groundbreaking phenomenon, characterized by the convergence of finance and technology, has disrupted traditional financial institutions, redefined customer expectations, and sparked a wave of transformative changes across the industry. In this research paper, we delve deep into the multifaceted dimensions of the FinTech revolution, exploring its origins, evolution, and its profound impact on financial services. As the digital age continues to flourish, FinTech has emerged as a catalyst for change, revolutionizing the way financial services are delivered, consumed, and regulated.

This evolution has blurred the lines between traditional banking, investment, payments, and insurance, leading to a dynamic and ever-evolving ecosystem. With the rise of innovative startups, established financial institutions, and regulatory bodies adapting to this paradigm shift, the FinTech revolution has created a complex and rapidly changing landscape that demands meticulous examination. Our comprehensive review research paper aims to provide a holistic understanding of the FinTech revolution, offering insights into its drivers, challenges, and implications for both consumers and industry stakeholders. By dissecting the underlying technologies, business models, and regulatory frameworks that underpin FinTech, we seek to unravel the transformative forces at play and identify the key trends shaping the future of financial services. Furthermore, this research paper will explore the broader societal and economic consequences of the FinTech revolution, including its potential to enhance financial inclusion, reduce inefficiencies, and create new opportunities for businesses and entrepreneurs. We will also examine the regulatory responses and ethical considerations that have emerged in the wake of FinTech's ascendancy, shedding light on the delicate balance between innovation and risk mitigation. In a world where traditional financial models are being challenged by digital disruptors, understanding the nuances of the FinTech revolution is essential for academics, industry professionals, policymakers, and anyone with a vested interest in the future of finance. As we embark on this exploration of the FinTech landscape, we aim to provide a comprehensive resource that not only elucidates the current state of FinTech but also serves as a foundation for future research and strategic decision-making in the financial services sector.

1.1 Brief History of Fintech Development

Fintech isn’t a new model. The term Fintech can be traced to the early 1990s. Nowadays, it refers to a rapidly developing evolutionary process across financial services. This trend only began to attract the attention of regulators, industry participants, consumers, and academics in 2014, as illustrated in Table

1.

Table 1. Historical Process of FinTech

Era	Fintech 1.0	Fintech 2.0	Fintech 3.0	Fintech 3.5
Range	1866-1967	1967-2008	2009-Present	
Geography	Developed World	Global	Developed World	Developing World
Key players	Infrastructure	Banks	Startups	
Shift origin	Globalization	Technology	2008 Financial Crisis	Market reform

Source: Arner et. al. (2017). Fintech and Regtech in a Nutshell, and the Future in a Sandbox. CFA Institute Research Foundation.

Fintech has progressed through three phases in its development. Table 1 summarizes the steps of the process. The first phase, known as Fintech 1.0, spanned the years 1866 to 1967, during which the financial services sector remained essentially analogue while being highly intertwined with technological advancements at the time. The second phase, referred to as Fintech 2.0, from 1968 to 2008 and was defined by the development of digital technology for communications and transactions, as well as the increasing digitalization of finance. During the time following 2009, which we refer to as Fintech 3.0, new startups as well as existing technology, ecommerce, and social media organizations have started to provide financial goods and services to the general public as well as enterprises, including financial institutions. In addition to this, the Fintech 3.5 era reflects the evolution of Fintechs in emerging market countries over the course of time, in addition, it is cited in the literature.

1.2 Historical Evolution of Payment System

1. **Barter:** Evidence of the existence of a barter system goes back to the Neolithic, starting with the emergence of the agricultural/livestock society (probably before 7000 BC). Barter is exchange of material goods or services for other goods or services.
2. **Coins:** Their first appearance dates from approximately 680 to 560BC in what it is now Turkey. The use of coins was introduced because barter sometimes posed difficulties for transactions, and certain forms of payment were perishable, so they could not be accumulated. The result was the emergence of coins made of precious metals. A circular shape was adopted as being the most practical.
3. **Paper money and banknotes**: Their function was to replace coins, because it was uncomfortable to carry coins in large quantities. Banknotes were first used in China in the seventh century, but it was not until 812 that their use became official. Until the 1970s, each issue of banknotes by a country's authorities had to be backed by a certain amount of gold.
4. **Bills of exchange and checks:** Bills of exchange date back to 12th Century Italy. This document guaranteed that the debtor would pay the creditor, or another person authorised to receive the money in the commercial document. The origin of cheques, on the other hand, dates to around the 18th century, and is linked to the English Crown.
5. **Cards:** The first credit cards arrived in 1914, when the Western Union company created a loyalty card for its most exclusive customers, giving them access to a line of credit without surcharges. However, only from 1958 did banks started offering cards as a payment solution. The first card came to be known as Visa.
6. **Digital payments:** With the arrival of the Internet and the World Wide Web system in 1990s, goods and services began to be sold through this new communication channel. One of the pioneers was the company Peapod, which offered the possibility of buying groceries from home via a computer. After the disrupted digital revolution of recent years, and with the introduction of new technologies, it is now possible to pay by mobile phone or digital watch. Mobile access and the internet have been transformational, allowing the gains from technological progress to be shared directly with billions of individual consumers whose mobile devices are now portals for accessing a full range of financial services. They can also be extended by third parties via Application Programming Interfaces (APIs). This massive decentralization is opening the door to direct person-to-person transactions (P2P), and to the direct funding of firms (crowdfunding). It has profound implications also for financial inclusion by permitting "unbanked consumers in low-income countries to access financial services for the first time.
7. **Real Time Gross Settlement (RTGS):** These are specialist funds transmission systems where the transfer of money or securities takes place from one bank to any other on a "real-time" and on a "gross" basis. Settlement in "real time" means a payment transaction is not subjected to any waiting period, with transactions being settled as soon as they are processed. "Gross settlement" means the transaction is settled on a one-to-one basis, without bundling or netting with any other transaction. "Settlement" means that once processed, payments are final and irrevocable.
8. **Cryptocurrencies:** Cryptocurrency is a digital payment system that doesn't rely on banks to verify transactions. It's a peer-to-peer system that can enable anyone anywhere to send and receive payments. Cryptocurrency payments exist purely as digital entries to an online database describing specific transactions. When you transfer cryptocurrency funds, the transactions are recorded in a public ledger. Cryptocurrency is stored in digital wallets. Cryptocurrency got its name from the use of encryption to verify transactions. This means advanced coding is

involved in storing and transmitting cryptocurrency data between wallets and to public ledgers. The aim of encryption is to provide security and safety

9. **Developments in cryptography** have facilitated a variety of applications including smart contracts (a set of promises specified in digital form, to be executed following certain procedures and if certain conditions are met - such as selling an asset at a certain price) and have combined with sensing technologies and biometrics to create more robust security systems.
10. **Artificial intelligence (AI) and Big Data capture:** This is the parsing of vast databases containing the characteristics and transactions of billions of economic agents through advanced algorithms to derive patterns used to predict behaviour and prices, and in the end mimic human judgement in automated decisions. Related applications can automate credit approvals, facilitate regulatory compliance and fraud detection, and automate the trading of financial assets.

1.3 COVID-19 and FinTech

Around the globe, the Indian economy is considered a rapidly evolving economy. COVID-19 outbreak has influenced the growth and development of developing nations like India. The pandemic has risen fastly than any other macro-economic variable in the Indian markets and economy. This pandemic crisis has resulted initially in a recession of the economy, and latterly, into a sluggish economic market. However, Banking & Finance is one of the growing industries during a pandemic. However, India has emerged as a preeminent global player in the FinTech sector around the world. The newsletter by (Tafti, Jariwala, Jain, & Gupta, 2020) stated that "The ongoing spread of COVID-19 has become one of the biggest threats to the global economy and financial markets. To contain the impact of the coronavirus outbreak, India, like many countries across the globe, is taking several measures." The measures are needed to overcome the impact possess by the pandemic in the Indian financial markets.

Also, "The adverse effects of the COVID-19 pandemic are trickling down to major sectors of the Indian economy, with manufacturing, auto, retail, aviation and hospitality bearing the brunt of the lockdown", and the FinTech Industry isn't an exceptional one. Furthermore, the outbreak leads to the rise in digital financial transactions due to the unpredictable circumstances amidst lockdown as there is "a boost through the Government, which has pledged monetary assistance to the poor via direct transfers to bank accounts." Financial services in India have appealed to the public to "Go Digital" for financial transactions. "There are also a few areas that are seeing an uptick in digital payments by way of increased adoption during the lockdown. These include online grocery stores, online pharmacies, OTT players (telecom and media), EdTechs, online gaming, recharges and utility/bill payments" (Tafti, Jariwala, Jain, & Gupta, 2020). It reflects the shift from the old conventional to the new digital system by transforming the entire internal mechanism The study conducted under the Bharat Inclusion Initiative by (MSC, 2020) stated that "The early part of 2020 has been a nightmare for India. The rising cases of COVID-19, countrywide lockdowns, and fear of contracting the virus have taken a toll on the physical, mental, and economic well-being of the people". The study comprehended that FinTechs based on savings and investment segment of financial services faces difficulty. It happens due to the changed sentiments of the market and customers. The opinions forced them to revised or reshaped their overall operations. The FinTechs has also represented a "No Month-onMonth" (MoM) rise in the new customer base. It has also lead to the lack of inflow of novel funds and funding.

The message from (PwC, 2020) conveys the harsh reality that "The FinTech sector finds itself at an inflection point as the world continues to tackle the socioeconomic fallout of the COVID-19 crisis." In a dynamic environment, FinTechs can gain opportunities for redefining the financial business models. "The consistent growth of the FinTech sector is reflected in investor sentiments. Before the COVID-19 outbreak, the Indian FinTech ecosystem witnessed a positive trend in FinTech funding activity" and follows the same pattern amidst and after the pandemic or in the recovery period. "While companies are working round the clock to adjust to the new normal and meet the challenges, there are many opportunities for FinTechs in the current scenario, given the strong need for digital and contactless delivery of financial services." It reflects the changing mechanisms developing in and around the industry. The report also highlighted that "In the post-COVID world, there is an immediate need to move towards completely digital, paperless and presence-less end-to-end processes." The significant rise of FinTech penetration and adoption has had an optimistic influence on the Indian Financial System.

II. LITERATURE REVIEW

S. K. Mallick et.al (2021) talks about the key changes that Fintech revolution shall bring about. The extent to which the financial service industry has moved ahead is also a pertinent topic to understand. Thus, this paper aims at visualizing such concepts so that one understands the influence of Fintech innovations in the industry. A sample of 179 respondents was surveyed to know fintech revolution and its impact in transforming financial services. Mean and t-test was applied to get the results. The study concludes that fintech is playing number of vital roles in transforming financial services and there is a significant impact of fintech revolution in transforming financial service industry.

Kanchan Rauniyar et.al (2021) promotes a stronger financial and economic system are FinTech. The objective of the study is to illustrate the role of FinTech innovation as the frontrunner to promote digitalization and digitization, which contributes to increasing DFI. Critical gaps and how the complementary relationship of FinTech innovation and DFI can support the modern financial industry have been presented in the findings of this study to identify the interrelationship between FinTech, financial innovation, and DFI. The theoretical lens based on various literature review has been used to analyze the different degree of co-relationship that highlights the positive, negative and dual dimensions that exist between FinTech, financial innovation and, DFI. A conceptual framework has been proposed to depict the entire transition phase of the traditional financial ecosystem moving into the modern financial landscape with help of DFI.

Abdullah Saif et.al (2023) explores the dynamics between fintech and banks, their partnerships, and the future landscape they collectively shape. It concludes by emphasizing the collaborative potential of these entities to drive innovation, offer diversified financial solutions, and navigate the challenges of regulatory intricacies and customer trust. The fintech revolution is not just a disruption; it signifies a new era of innovation, inclusivity, and enhanced value for consumers in the financial industry.

Asima Saleem (2021) investigated the relationship between ongoing Fintech revolution and Fintech adoption intention, which has been negatively influenced because of emerging risks. The fear of associated risks hesitate the people from adoption. Auditors in the Fintech companies can significantly reduce these risks through effective protecting strategies. The study investigated the moderating role of auditors for management of Fintech risks by applying risk management process. Multi-method quantitative study is used. Data collected through questionnaires from 200 respondents from different Fintech companies in Pakistan. For testing hypothesis, statistical analysis conducted through Stata version 14.0. The study shows that all perceived risks increases with the increase in Fintech revolution. The results proved that relationship between Fintech revolution and Fintech adoption intention was negatively influenced by perceived risk. The study also proved that auditor's management of risks moderates the relationship between Fintech revolution and emerging risks.

Saleh Ali Husseini (2022) analyze the implications that this trend is having on the development of the banking system, with particular focus on the case of Malaysian banks. In this field, digital platforms are competing vigorously, although large technology companies have clear advantages (most regarding user data) should they decide to enter Fintech full-on. It is worth mentioning the specific business approaches of Google (cloud service - cybersecurity -Big Data), and the "digital-wallets" are growing as important alternatives within the context of financial markets, representing a source of tension for the traditional banking business. The conclusion is that the traditional banking industry perceives latent competitive threats from this Fintech revolution. That is why it has awakened in recent years with waves of acquisitions-alliances with Fintech start-ups.

Kuldeep Singh et.al (2023) attempted to construct a model for the adoption of fintech in the context of rural India. The goal of this research is to identify the policies and initiatives that best promote the growth of the fintech ecosystem. They also make an effort to pinpoint the qualities of banking systems that are more likely to support fintech in order to collaborate effectively on financial inclusion. The methodology section of this work is built on the ISM-MICMAC technique.

Puschmann (2020) analyzes approaches from the emerging field of FinTech, InsurTech and blockchain at the intersection of sustainability. By reading through almost one-hundred and fifty papers from academia and practice as well as analyzing hundreds of start-ups in this field, the major building blocks were derived and a future research and innovation agenda was developed. The Appendix which is mentioned in this paper is downloadable online: www.sustainable-digital-finance.org. The results indicate that the topic is of great emerging interest. The areas of the focus are energy management, financial services, governments/NGOs, and transportation as well as some other relevant sectors that hold great potential and in which the combination of business and sustainability benefits is more obvious than ever enabled through innovative technology.

Robin Jarvis et.al (2021) summarizes the opportunities and challenges of FinTech Innovations and the implications to the legacy incumbent financial services companies. FinTech innovation fusions technological capabilities, potentially provides innovative financial products and services to foster financial inclusion, streamline processes, and lower costs to clients. FinTech can bring greater competition and diversity in financial services. Further, this research interprets the findings from the lens of institutional theory to advance the theoretical understanding of social changes facilitated by FinTech innovations in revolutionary areas in banking (lending, payment), security trading (real-time settlement, automated investment), and insurance (personalized experience).

Yifan Zhao (2023) explore the synergy between online payment development, P2P lending, artificial intelligence, and blockchain, and their potential impact on the financial industry. Online payment development, P2P lending, artificial intelligence, and blockchain are all key trends in the financial industry that have been rapidly evolving in recent years. However, there has been limited research that explores the synergy between these trends. The paper provides a comprehensive review of the literature and analyzes the interdependence between online payment development, P2P lending, artificial intelligence, and blockchain. The study also highlights how the convergence of these trends can revolutionize the financial industry by enabling faster and more secure transactions, better risk management, and improved customer experiences.

Andrej Ilievski examine the impact of fintechon central banks and policy objectives, butalso, the role of central banks in enabling fintech in fulfilling its promises. Namely, for the financial sector fintech promises shorter, speedier transactions; greater capital efficiency; and stronger operational elasticity. For consumers, fintech promises opportunities, both in form of new products and services but also in improving the existing one at lower costs. In general, fintech promises a more inclusive financial system, with people better connected, more informed and increasingly empowered. In order to support the development of fintech central banks should consider many aspects like: exploring the use of distributed ledger technology (DLT), partnering with fintech companies and calibrating its regulatory approach to fintech developments.

III. STATISTICS

- Investors remain bullish on fintech, e-commerce In Q1 2023 Despite regulatory challenges, and uncertain market conditions, fintech raked in the highest funding in Q1 2023 (1.285Bn USD accounting for 44.9% of funding).
- The size of the Indian FinTech market is predicted to grow from $50 billion in 2021 to around $150 billion by 2025.
- By 2023, India's fintech industry is projected to generate $200 billion in revenue and manage $1 trillion in assets under management (AUM). The top industries included payment processing, financial services, and insurance (2021).
- In 2024, the Digital Assets market is projected to grow at a revenue CAGR of 23.8%.
- By 2027, it is anticipated that there will be 1,082.00M users in the Digital Payments market. The Digital Assets market is expected to reach $3.34 billion in total transaction value by the end of 2023.

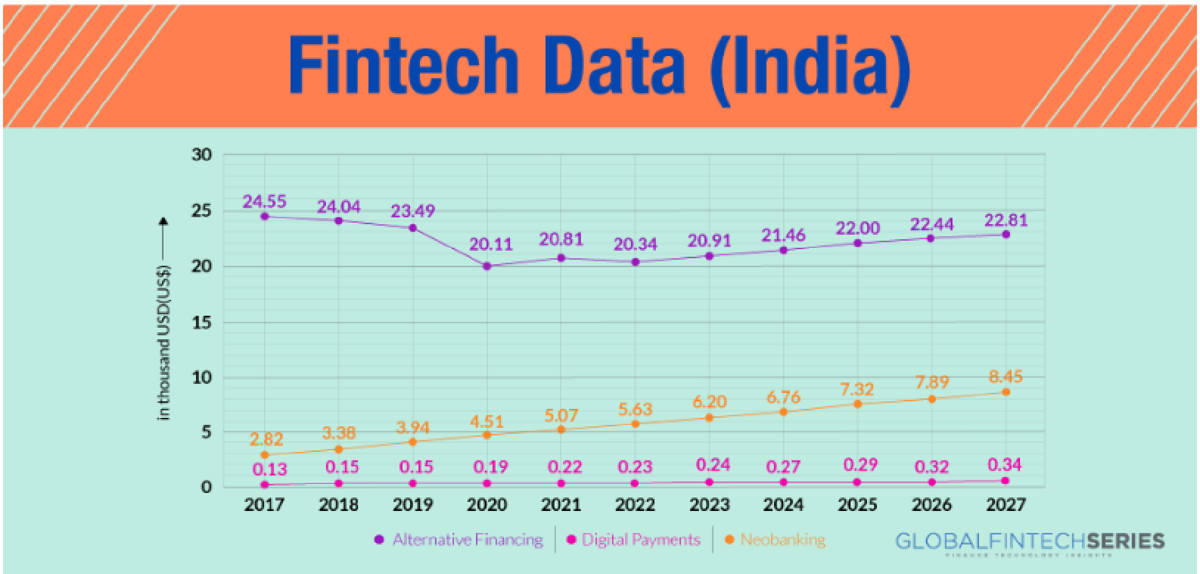

Fig. 1 Fintech data

3.1 Pre-COVID Comparison

The proliferation and widespread use of digital platforms can also be attributed to the widespread adoption of the internet in recent decades. There was less of a push to expose consumers to the digital world before the COVID-19 pandemic. However, the post-COVID-19 era saw a greater leaning of customers toward digitalized expression. According to the Economic Survey 2022-23, India's adoption rate of financial technology is 87%, significantly higher than the global average of 64.1%.

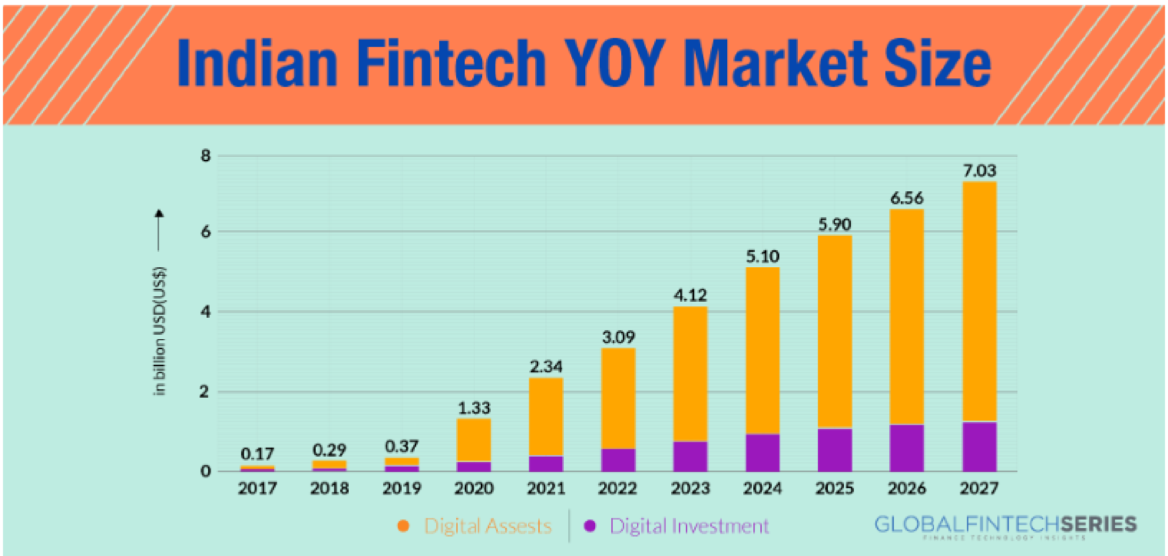

Fig. 2 Indian Fintech YOY market size

3.2 Impact of COVID-19 On Fintech Industry

The fintech landscape in India has been drastically changing at a lightning speed in the last couple of years and has become one of the world's largest fintech market after US, UK and China. With COVID-19-19 severely disrupting various workflow in various sectors of the country, Fintech sector continues to be one area that has witnessed tremendous amount of volatility in its structure and work due the significant shift on online technology caused by the pandemic. Due to the pandemic, a lot of companies focussed on product and process innovation to become more customer centric and build the capacity to handle large disruptions.

Changing landscape of fintech sectors in India due to COVID-19

Payments

Payment segment in FinTech comprises various sub segments like PoS companies, Digital Wallets, Bill Payments, Remittance Firms and Payment Gateways.

Impact of COVID-19:

- Cash Based Transactions are expected to reduce during COVID-19-19, being cash as one of the potential carriers of the disease. In this situation, digital payments may witness an increase rate of adoption.
- Education, online gaming, grocery, utility payments is expected to turn into digital lines, the support of the government with Reserve Bank of India advocating use of digital payments. Due to this reason, Fin Tech companies decided to redesign the user interface to be relevant with essential payments to be online sticking to rules and regulations issued by the government.
- Physical transaction on Merchant outlets also became the victim of the pandemic, with reduction in remittances due to lockdown imposed on migrant and domestic workers.

Alternative lending

The alternative lending segment in FinTech comprises various subsegments such as the FinTechs with NBFC license, distribution platform, supply chain finance, P2P lending, distribution platforms, supply chain finance, PoS lending, Payday lending and SME lending.

Impact of COVID-19

Fintech lenders have developed their company on the premise that consumers income levels are rising and due to their ever-increasing aspirational demands, many blue collars employees have been under the radars of these lenders.

- Sectors like Airline, Food & Beverage and Ride Hailing services employ significant amount of gig employees who are facing risk of lower wages and inability to pay long term loans.
- COVID-19 has caused a potentially long lasting on MSME Sector with sudden interruption in supply chain and subdued demand have left MSME's in urgent need to generate cash flow.
- With Indian Economy already engulfed in trap of Economic slowdown, COVID-19 -19 could have further impact on MSME lending, with leading Fintech Companies creating larger loan books to lend MSME based on cash flow rather than assets.

Wealth tech

Wealthtech segment in FinTech comprises various sub segments such as digital discount brokers, robo advisors, mutual fund advisors, personal finance management apps, micro investing platforms and foreign investing apps.

Impact of COVID-19

- Digital wealth management platforms have reported an upsurge in number of new accounts opened and volume of transactions, resulting in entry of new investors in capital markets to take advantage of a sluggish markets.
- With reduction in revenue and assets under management, there has been significant impact on market participants in form of small, consolidated players and increased use of robo advisory.
- WealthTech funding is set to hit a new record of $3.7 billion across 157 deals and is set to increase further with increased investments in sustainable investments and API integration serving as catalyst for wealth tech funding throughout 2021.

Insuretech

The Insuretech segment in Fintech comprises various subsegments like digital insurance manufacturers, distribution platforms and web aggregators.

Impact of COVID-19:

- The outbreak of the pandemic has witnessed a growth of increase in insurance premium among non-life insurance segment, with increase in demand for insurance products remaining volatile.
- With Travel industry severely hit by the pandemic there has been decline for travel and vehicle insurance, with sector witnessing increasing demand for health insurance policies.
- Digital Insurance companies like Acko, Artivatic, Policy Bazaar etc. have seen surge in the demand of their products as the companies devoted itself in offering seamless purchase, disbursement and claiming services with minimal interaction at competitive pricing.
- Digitalisation drastically helped insurers – especially life and health – to create and distribute simplified, digital-native solutions in a costeffective manner.

Neobanks

The neobank segment in FinTech comprises neobanks that serve retail customers and ones that serve business customers, primarily Small Medium Enterprises.

Impact of COVID-19:

- With discretionary costs being reduced and ongoing programmes kept on hold, Neobanks are facing problems to attract deposits and keeping it afloat although it is useful to provide value added services CASA accounting and expense management.
- In Post COVID-19 world, digital banks are expected to attract more customers and Small Medium Enterprises looking to avail better banking experience from digital channels in a simple, secure, and cost-effective manner.
- Due to their innovative business models and digital payments channels, Neobanks have been widely adopted globally due to swift transition to work from home model resulting in growth of digital financial services.

Emerging tech

The emerging tech segment in FinTech comprises software like SaaS based technology providers, B2C FinTechs which offer digital onboarding, chatbots, Customer Relation Management, API Platforms, and productivity tools.

Impact of COVID-19 on Emerging Tech:

- With a greater number of online options, Fintech enablers could offer cloud-based solutions that will could experience higher demand from service providers.
- AI is expected to be the most demanded technology for products and services like conversation solutions for call centre chatbots, fraud detection and workflow automation.
- Digital identity providers (IDaaS) are also expected to be in demand as KYC processes to be digitalised further.

3.3 Tackling in Post Covid Scenario:

The COVID-19 had drastic impact on economy in every aspect. It has not only changed how Foreign Investors operates their business but also how the management performs its tasks and how people across the globe monitor their finances. Every sector had seen changes in their working pattern, focusing on Financial Sector it has been noticed that role of digital platforms, products and services is rising. A digital-native company is digitalized and advanced. Its activities and advancements at a speed that is significantly greater than that of conventional firms. The common denominator of most FinTech disruptors is that, along with streamlined processes, they leverage new technology and its applications to create scalable and sustainable business models. Digital native companies use their inherent advantage to ensure a seamless transition for staff and continuity of operations as remote work becomes the norm. Companies need a combination of scalable on demand infrastructure remotely accessible software, digital communication methodologies and a responsive culture to allow a smooth transition to remote operations to ensure a swift and decisive response to crisis.

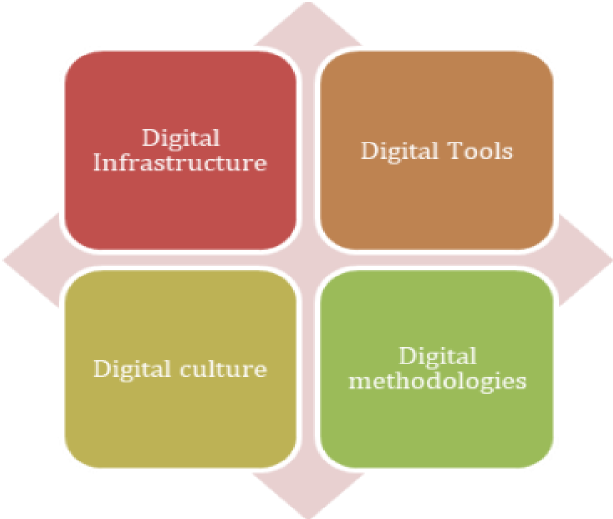

Fig. 3 Digital Fintech Framework

Access to protected data methodology and balancing privacy and cyber threat requirements together with a digital environment will play key roles to ensure smooth operations and decision making. Below is a digital structure that defines the main business components in the post COVID-19 period to keep them functional.

Digital Infrastructure: scalable technology on demand with safe connectivity to enable digital transformations and secure movement of information when operating remotely.

- Digital Tools: business application and interaction tools that allows remote communication and collaboration are employee facing.
- Digital Culture: workplace policies to encourage remote work, flexible working hours and initiatives to work.
- Digital Methodologies: to predict and adapt quickly to new needs to develop innovation centres and omni channel.

Table 2 Trending technologies in banking

	Already Deployed	**Plan to invest in 2019**	**Executing team is discussing**	**Not on Radar**
Machine Learnings	2%	12%	35%	51%
Chatbots	2%	13%	45%	40%
Robotic Process Automation (RPA)	5%	6%	31%	58%
Block chains	1%	4%	43%	52%
Cornerstone Advisors survey of 305 mid-size banks and credit unions, Q4 2018				

3.4 An Analysis of Financial Technology in India Before and After the Pandemic

Customers and investors have become more interested in savings-based FinTechs as a result of the pandemic's increased awareness of the importance of having financial reserves.

- Savers, especially in urban India, started saving more frequently due to economic uncertainties, albeit in smaller amounts. This inclination towards financial security led to a surge in customer onboarding for savings FinTechs, despite the initial slump in overall demand and operations.
- The average net AUM for liquid funds fell from INR 5.07 million (USD 0.06 million) to INR 4.2 million (USD 0.05 million) between Q1 and Q2 of FY 21, while the AUM grew by 7% in absolute volume.
- While the total AUM has increased by 8% to INR 1.37 million (USD 0.018 million) as of February 2021, the average net AUM has decreased by 22.75 % during the same time period. Following the lifting of restrictions and subsequent improvement of the situation in the third quarter of fiscal year 21, demand deposits held by banks increased.

- Buoyed by this shift in customer behavior, investments in the FinTech domain have been on the rise since fiscal year 20. (refer the graph below). As a result of investors being pickier with their savings FinTech investments, the number of deals decreased.
- The results indicate that the younger generation is increasingly interested in alternative investment options to traditional ones like CDs and mutual funds. They favor low-hassle, digitally-traceable, flexible-fund products that don't require a lot of paperwork.
- The popularity of platforms like Lakshya, which offer customers the chance to save towards a variety of different goals, is proof of this. Young people have a low-risk tolerance because of their lack of savings and financial literacy. As a result, they are less desirable as investment and rescue targets for the FinTech industry.
- Young people in the LMI tend to avoid investing for the long term in favor of saving for short-term goals like a car.

3.5 Strategies to Overcome COVID-19 Challenges

Digital financial service can thrive in a situation where customers are forced to accept or use online platforms to digitize the exposure to health hazards. Fintech tactics will be at the level at which the value of delivering such services directly to end-consumers or looking at possibilities for collaborations with larger groups of people. Also for FinTech business models a move towards non-physical platforms such as contactless payments, digital onboardings, credit assessment and payment processing may become significant help. Fin-techs have digitalized in historically undeserved markets for catering in current situation this is important especially when government attempts to allocate benefits to those most vulnerable areas, fintech may investigate such places to diversify their business model and services. During these times business models that can offer or spread the awareness of safe and healthy offerings can have an edge over others. Fintech companies can take a hint or clue from market leaders of food delivery channel those who are focusing on safety concerns of customers so to keep the users active. Fintech would need to look inward at their ways of operating while being able to simplify and digitize customer experience. Remote working will require joint investment, infrastructure for data and security to promote business. Tech players will find potential buyers to boost and assist in internal efficiency. Fintech responds quickly to economic challenges and develop creative consumer goods and services. It was born after global financial crisis of 2008, it provides financial services with the consumption of critical services It could also expand the exposure of portfolio to essential services which includes lending, wealth management portfolios or business to business partnerships.

Strategic Recommendations:

A. Cost reduction and stable cash flow

- Provide incentives to customers to motivate them to pay in advance.
- Set targets for receivables.
- Reconstruct and negotiate contracts which are benefitted in long term with vendors and landlords.

B. Asset Management

- Considering the obstacles of COVID-19 promote more work from home culture and to maintain social distancing.
- Crucial decisions need to be taken after taking each aspect into consideration rather it be hiring the work force or giving salaries to them.
- Bring in innovative ideas and provide training to workforce so that there is smooth functioning and productivity is increased.

C. Revaluate business models

- Consumer's perspective plays important part in creating new business model according to how a new normal culture will look like.
- Strategic planning for new product launches in diversified channels.

IV. CONCLUSION

The COVID-19 pandemic and the worldwide outbreak crisis that preceded and followed it had an impact on the pace of adaption of FinTech enterprises. The growth and adaptability of FinTech are also significantly impacted by government efforts. bHowever, the growth of Fintech businesses may be slowed by India's lax regulatory framework. Ultimately, there are two things that might prevent the financial industry from improving: the overvaluation of Fintech businesses during the crisis and the ambiguity of political and regulatory frameworks. As a summary of relevant research, the results of this study are dependable and trustworthy. The well-established processing and consulting industries in the economy support these. Fintech startups are seen as a disruptive force in the financial industry by the established companies. Even though fintech has advanced significantly worldwide since COVID, the Indian platform has seen a significant shift in the use of fintech from both urban and rural areas. India is a growing country that has seen billions of dollars invested in the fintech sector, and its citizens recognise the significance of tech-based enterprises. The Indian fintech ecosystem was specifically taken into account in the blog article above when comparing the pre-COVID and post-COVID scenarios.

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